



Newsletter

Borden Retires After 27 Years as Head of KHEAA

by Janice Ernst

Paul P. Borden, Executive Director of the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation, retired from his position on September 30, 1999. His career in student financial aid administration began in 1967 as Assistant Director of Student Financial Aid at the University of Louisville, where he graduated that same year. In 1968 he became Director of Financial Aid at Kentucky State University and served in that capacity until 1972, when Governor Wendell H. Ford appointed him to KHEAA's first full-time position.



Under Borden's 27 years of leadership, a variety of programs and services were implemented to improve students' access to higher education. KHEAA now annually administers \$41.4 million in grants, teacher and osteopathic medicine scholarships, and work-study wages; guarantees over \$345 million in student loans; oversees an \$8.7 million educational savings program; and performs numerous outreach and public information activities.

In addition, Borden spearheaded several major initiatives that led to the establishment of the Kentucky Higher Education Student Loan Corporation, creation of the Kentucky Education Savings Plan Trust, and merger of the Alabama Student Loan Program with KHEAA.

KHEAA staff and members of the financial aid community will long remember Borden's leadership in and devotion to improving higher education opportunities.

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Interim Administration of KHEAA

by Janice Ernst

Prior to Paul P. Borden's resignation, KHEAA Board Chair Wayne Stratton approved Borden's recommendation that Londa L. Wolanin, KHEAA Chief Operating Officer (COO), be designated to perform on an interim basis the duties of Executive Director as they relate to KHEAA. She was delegated full authority to act on all matters not reserved to the Board of Directors. Until such time as the next Executive Director is appointed, Wolanin will independently oversee management of KHEAA, while working closely with Roger B. Tharp, who is serving as interim head of the Kentucky Higher Education Student Loan Corporation.

KHEAA Welcomes New Staff

by Jane Stewart

We are pleased to announce that Susan Luhman, former Financial Aid Director at Eastern Kentucky University, joined the KHEAA staff on October 25 as Manager of the Business Development Branch. With over 22 years of financial aid experience, Susan is well known in the financial aid community. She has been active in the Kentucky Association of Student Financial Aid Adminis-

trators (KASFAA), has served on the Southern Association of Student Financial Aid Administrators (SASFAA) Executive Board, and is a current member of the National Association of Student Financial Aid Administrators (NASFAA) Standards of Excellence initiative. Susan will manage the marketing activities associated with KHEAA's loan programs and will work directly with school and lender clients.

Dave Wellman will serve as Manager of KHEAA's Default Portfolio Oversight Branch. Dave was employed by KHEAA as Manager of the Loan Service Center Branch from 1981–1994, when he transferred to the Kentucky Higher Education Student Loan Corporation. Dave will be responsible for the oversight of administrative functions associated with defaulted loans.

TFI Management Agreement

by Jo Carole Ellis

The Kentucky Education Savings Plan Trust executed a management agreement on August 30 with TIAA-CREF Tuition Financing, Inc. (TFI), to provide administrative, marketing, and investment services for the Trust. TFI was awarded the contract in December 1998 as a result of its response to a request for proposals issued by the Trust.

Conversion to TFI's management was completed on October 18. Some of the enhancements include:

- Age-based investment portfolios that offer increased growth potential.
- A Web site dedicated to the Trust, with an interactive calculator, college cost information, and links to other important educational sites.
- Added convenience for making contributions, with an electronic employer payroll deduction feature.
- Comprehensive marketing campaign throughout the year using a variety of media.

The Trust's new toll-free number is (877) KY TRUST (598-7878), and the Web site address is www.kentuckytrust.org.

Kentucky Educational Excellence Scholarship

by Tim Phelps

Graduates of the 1998–99 class earned over \$13 million from the Kentucky Educational Excellence Scholarship (KEES) program. This class is the first to receive funds from the program. Eligible students earned a 2.5 GPA or

greater for the 1998–99 academic year. Some of the eligible students also earned bonus awards for a composite score of 15 or above on the ACT (or equivalent SAT). Funds can be used to pay educational expenses at any participating postsecondary institution in the Commonwealth of Kentucky. Including the aforementioned \$13 million earned by the 1998–99 graduating class, KHEAA has notified a total of 108,000 students who were in grades 9 through 12 during the 1998–99 school year that they have earned over \$40 million in scholarship funds from the KEES program.

In October, a letter and brochure about the KEES program were mailed to parents of over 40,000 high school freshmen on behalf of Governor Paul E. Patton. In his letter, Governor Patton advised parents to discuss with their children the importance of higher education and how they can earn scholarships.

KEES funds for 1998–99 graduates were disbursed to postsecondary institutions in October after the colleges and universities verified each student's enrollment status to KHEAA. Funds, on behalf of the students, will be disbursed each semester to the postsecondary institutions. Students must meet eligibility requirements each year in order to retain their award for the next academic year.

Kentucky Coal Council Scholarships Awarded

by Jo Carole Ellis

The winners of the second annual Coal Education Savings Plan Trust Competition were presented their awards during September. The Kentucky Education Savings Plan Trust administers Trust accounts for scholarships awarded by the Kentucky Coal Council through its competitive statewide coal education scholarship program. Eight fourth and fifth graders across the Commonwealth were awarded \$5,000 scholarships deposited into Trust accounts. Jo Carole Ellis represented the Trust at scholarship presentations at Vine Grove Elementary, Vine Grove; Bowen Elementary, Louisville; Grandview Elementary, Bellevue; Clays Mill Elementary, Lexington; Pulaski Elementary, Somerset; Deming Elementary, Mt. Olivet; and Dennis C. Wooten Elementary, Hazard. The eighth scholarship recipient is from Fancy Farm Elementary, Fancy Farm.

KHEAA Announces Common Account Maintenance (CAM) “G” Dates

by DeDe Conner

KHEAA is preparing for the new Common Account Maintenance (CAM) processes. Listed below are KHEAA’s expected “G” dates for CAM implementation. KHEAA opted to implement CAM in a phased approach to allow lenders the opportunity to utilize the electronic processes as they become available with KHEAA. Lenders and servicers can plan to begin testing the CAM records with KHEAA on or before the “G” date listed.

Record Type	Record Name	“G” Date
03	Identifier Data Change	12/1/1999
04	Enrollment Status Data	12/1/1999
05	Address/Phone Change	12/1/1999
06	Notice of New Loan Guaranty	2/1/2000
07	Loan Period/Grade Level Change	2/1/2000
09	Predisbursement Change	2/1/2000
10	Postdisbursement Change/Notification	2/1/2000
13	Stafford Sub/Unsub Reallocation Decrease	2/1/2000
14	Stafford Sub/Unsub Reallocation Increase	2/1/2000
15	Loan Status Change	12/1/1999
16	Lender/Lender-Servicer Change	12/1/1999
17	Consolidation Loan Notification	3/1/2000
18	Consolidation Loan Add-On/Increase Notification	3/1/2000
19	E-mail Information	3/1/2000
20	Consolidation Demographic Data	3/1/2000
21	Guarantee Fee Invoice Remittance	3/1/2000
22	Paid Guarantee Fee Adjustment	3/1/2000
24	Loan Increase	2/1/2000
26	Principal and Accrued Interest Balance	12/1/1999
27	Master Promissory Note Information	2/1/2000
28	School Refund	2/1/2000
29	School Refund Correction	2/1/2000
Preclaim Records		
40	Borrower Demographic Information	1/1/2000
41	Employment/Deferment/Borrower Contact Information	1/1/2000
42	Reference Information	1/1/2000
43	Endorser/Comaker/PLUS Student Information	1/1/2000
44	Loan-Level Preclaim/Claim Information	1/1/2000
Claim Records (50-59)—In Development		
95	Guaranty Fee Totals	3/1/2000
97	Record Totals	12/1/1999

CAM is an event-driven, transaction-based reporting process for lenders, servicers, and guaranty agencies. It was designed to communicate account maintenance data between trading partners in a common electronic format. The CAM documentation can be downloaded from the National Council on Higher Education Loan Programs (NCHELP) Web site at www.nchelp.org. The information is available in the Initiatives area of the Web site.

Contact DeDe Conner at (502) 696-7250 or dconner@kheaa.com for more information about CAM.

Schools Eligible for Single Disbursement and Nondelayed Disbursement

by David Rayborn

Under provisions of the 1998 Amendments to the Higher Education Act of 1965 (Reauthorization), Section 428G(a) now permits schools with a cohort default rate less than 10 percent for each of the three most recent fiscal years for which data is available to disburse loans in a single disbursement for any period of enrollment that is not more than one semester, one trimester, one quarter, or four months. Similarly, Section 428G(b) was amended to allow schools with a cohort default rate less than 10 percent for each of the three most recent fiscal years for which data is available to be exempted from the delayed disbursement requirement.

According to information provided by the U.S. Department of Education (USDE), the following schools in Alabama and Kentucky are eligible for single disbursement and nondelayed disbursement.

Alabama

University of Montevallo
 Central Alabama Community College
 Athens State University
 Auburn University
 Birmingham Southern College
 John C. Calhoun State Community College
 Enterprise State Junior College
 George C. Wallace Community College
 Jacksonville State University
 Northeast Alabama Community College
 Samford University
 Snead State Community College
 Southern Union State Community College
 Spring Hill College
 Troy State University
 Troy State University Dothan
 Troy State University Montgomery
 University of Alabama
 University of Alabama at Birmingham
 University of South Alabama
 Faulkner State Community College
 J. F. Drake State Technical College
 Reid State Technical College
 Bessemer State Technical College
 Harry M. Ayers State Technical College
 Chauncey Sparks State Technical College
 George C. Wallace State Community College
 Lurleen B. Wallace State Junior College
 Southern Community College
 Chattahoochee Valley Community College
 United States Sports Academy
 International Bible College
 Southeastern Bible College
 Prince Institute of Professional Studies
 Southern Christian University
 Huntsville Business Institute School of Court Reporting
 Alabama State College of Barber Styling

Kentucky

Asbury College
 Asbury Theological Seminary
 Bellarmine College
 Spalding University
 Centre College of Kentucky
 Georgetown College
 Kentucky Christian College
 Kentucky Wesleyan College
 Lexington Theological Seminary
 Transylvania University
 University of Kentucky
 Madisonville Technical College
 Harrison County Area Technology Center
 Kentucky Technical—Harrodsburg Area Technology Center
 Kentucky Technical—Clark County Area Technology Center
 Nelson County Area Technology Center
 Marion County Area Technology Center
 Breckinridge County Area Technology Center
 Christian County Area Technology Center
 Kentucky Technical—Wayne County Area Vocational Education Center
 Rowan Technical College
 Casey County Area Technology Center
 Hair Design School (Florence)
 Hair Design School (Louisville)
 Webster County Area Technology Center
 Kentucky Technical—Meade County Area Technology Center
 Appalachian Beauty School
 Kentucky Technical—Oldham County Area Technology Center
 Mid-Continent College
 Frontier School of Midwifery & Family Nursing

Additionally, the Reauthorization included language in Section 428G(e) that states that multiple disbursements are not required for loans made to a student to cover the cost of attendance in a program of study abroad approved by a home eligible institution if the home institution has a cohort default rate of less than 5 percent (for the single most recent fiscal year for which data is available). Schools needing information regarding their most recent cohort default rate may contact Elaine Brumback at (502) 696-7278 or (800) 928-8926, extension 7278, or ebrumback@kheaa.com.

Common Claim Initiative Effective Dates Clarified

by David Rayborn

The opening page of Chapter ^{CC}8 of the July 1999 *Common Manual* contains information on the effective date for collection of information utilizing the Common Claim Initiative (CCI) Claim Form and the CCI Preclaim Request Form. However, after the July 1999 *Common Manual* had been finalized for publication, the *Common Manual* Governing Board unanimously voted to delay implementation of the CCI policies to accommodate industry efforts to standardize electronic formats for the transmission of preclaims and claims information.

The new effective date for implementation of the CCI policies in Chapter ^{CC}8 will be as follows:

A guarantor will establish the date that it is ready to trade CCI electronic records with other entities. This date is referred to as the "G" date. The "G" date will be established based on the final publication of the CCI electronic formats, with one "G" date for Preclaims and a different "G" date for Claims. All CCI trading partners (i.e., lenders, servicers, and the guarantor) will be provided a window of six months from the guarantor's "G" date to start reporting data using the CCI electronic format.

KHEAA has established a "G" date of January 1, 2000, for Preclaims. Therefore, the Preclaims effective date for required CCI trading will be July 1, 2000 (i.e., January 1, 2000, plus six months). Because the Claims electronic format has not been approved, KHEAA has been unable to establish a Claims "G" date.

If you need additional information regarding KHEAA's implementation of CCI policies, you may contact DeDe Conner at (502) 696-7250 or (800) 617-2699, extension 7250, or e-mail dconner@kheaa.com.

Plain Language Disclosure

by DeDe Conner and David Rayborn

In accordance with the provisions of the Higher Education Amendments of 1998, KHEAA now provides additional disclosure information to borrowers in the form of the Plain Language Disclosure (PLD). This information is included on the back of each guaranty letter or guaranty reduction letter to ensure every borrower receives the information at the time of guaranty. Since the PLD is being sent by KHEAA, lenders are not required to repeat this information in their own disclosure; however, they may do so if they choose.

Last year's reauthorization of the Higher Education Act of 1965 (HEA) requires that disclosure at origination be in simple and understandable terms. On August 9, 1999, the USDE published a Dear Guaranty Agency Director Letter (99-G-319) that disclosed the approved PLD text. The Dear GAD Letter (99-G-319) states "no changes to, deletions from or additions to the prescribed PLD text are permitted." Therefore, the PLD contained in these two disclosure letters is exactly the same as the approved PLD text.

Question and Answer

- Q: If a student for whom a parent borrowed a PLUS Loan remains a dependent and "meets one of the conditions" specified in statute, can that parent receive a deferment on all his/her PLUS Loans?
- A: Yes. The PLUS Loan (parent) borrower who has one student for whom he/she borrowed, remains a dependent, and "meets one of the conditions" specified in statute is eligible to receive a deferment on all his/her PLUS loans, even those loans he/she obtained for other children who may no longer be dependent or who may be dependent but not "meet one of the statutory conditions."

Common Manual Updates

by David Rayborn

This edition of the *KHEAA Newsletter* includes recent *Common Manual* policy updates. These inserts include reference numbers 329, 330, 331, 332, 336, 337, 338, 339, 340, 341, 344, 345, 346, 348, 349, 350, and 351.

If you have any questions regarding these updates or need additional copies, call the Policy and Client Services Branch at (502) 696-7274 or (800) 928-8926, extension 7274.

Special Allowance Rates

for the quarter ending September 30, 1999

The average of the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter ending September 30, 1999, is 4.82 percent. Loans from the following categories are eligible for special allowance as shown for the quarter ending September 30, 1999.

For loans made prior to 10/1/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.01375	.0034380
9%	.00000	.0000000

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/1/81 but prior to 10/17/86.
 - Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.
 - Federal Consolidation Loans made on or after 10/1/81 but prior to 11/16/86.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0132	.003300
8%	.0032	.000800
9%	.0000	.000000
12%	.0000	.000000
14%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS/SLS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.
 - Federal Stafford Loans (subsidized) made on or after 11/16/86 but prior to 10/1/92.
 - Federal Stafford Loans (unsubsidized, made pursuant to §428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.
 - Fixed-rate Federal PLUS/SLS Loans made on or after 11/16/86 but prior to 7/1/87.
 - Variable-rate Federal PLUS/SLS Loans made on or after 7/1/87 but prior to 10/1/92, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 12%.
 - Federal Consolidation Loans made on or after 11/16/86 but prior to 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.00%	.0107	.002675
7.72%	.0035	.000875
7.87 %	.0020	.000500
8.00%	.0007	.000175
9.00 %	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) made on or after 10/1/92 but prior to 7/1/95.
 - Federal Stafford Loans (unsubsidized) made on or after 10/1/92 but prior to 7/1/95 for periods of enrollment beginning on or after 10/1/92.
 - Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
 - Variable-rate Federal PLUS/SLS Loans made on or after 10/1/92 but prior to 7/1/94, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
 - Variable-rate Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98.
 - Variable-rate Federal PLUS Loans made on or after 7/1/98 but prior to 7/1/03. (Special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap.)
 - Federal Consolidation Loans made on or after 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.00%	.0192	.004800
7.00%	.0092	.002300
7.72%	.0020	.000500
7.98%	.0000	.000000
8.00%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.12%	.0020	.000500

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 7/1/03, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.32%	.0070	.001750

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 7/1/03, *except* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.92%	.0070	.001750



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The KHEAA Newsletter is published once each quarter and as needed to provide information about changes in federal and state laws and regulations, upcoming events, special allowance rates, and other items of interest. Comments and suggestions about this publication are welcomed and appreciated. Please send them to the above address and to the attention of the Division of Student and Administrative Services.